

VII. DISBURSEMENTS

It is the responsibility of the Secretary of Finance to safeguard and systematize the expenditure of state funds so that no funds appropriated by the Budget Appropriation Bill or otherwise available to an agency are expended except for those purposes necessary to carry out the functions of the agency.

(29 Del. C. §6505 (c) and §6517) The policies presented in this chapter guide the disbursement of state funds thus safeguarding those funds. In general, these policies are executed through the Department of Finance, Division of Accounting.

A. METHOD OF PRESENTATION OF BILLS

The Budget Director may direct each agency as to the manner and method in which any form of indebtedness, including salaries of officers and employees, shall be presented. **(29 Del. C. §6514)**

No account or statement of indebtedness shall be valid unless made out on a form (i.e., PV, PV - Personal Expenses, ACR) as prescribed by the Budget Director. **(29 Del. C. §6513)** For the payment of salaries, pensions, or any other expenditures for which bills or statements are not renderable, the Secretary of Finance shall present an ACR cover sheet, signed by him, directing and authorizing the payment of the amounts due.

B. APPROVALS

1. Standard

a. Agency Approval

Requests for payments must be presented bearing the signed approval:

- In the case of an agency which is headed by a single official or employee, by that official or employee, or by another responsible employee designated by the head official or employee and approved by the Budget Director; or
- In the case of an agency headed by a board or commission, by the president, chairman or head officer and the secretary.

A state board or commission may, by majority vote, delegate the authority to sign invoices or bills to the chief full-time administrative employee of the board or commission and to one or more other employees. Each bill or statement shall be signed in person by 2 of the delegated, including the chief administrative employer. **(29 Del. C. §6515(b))**

The names and signatures of those authorized to approve the payment of bills and statements are to be kept on file by the Secretary of Finance, pursuant to his responsibility to safeguard state funds. **(29 Del. C. §6517)**

b. Approval of the Secretary of Finance

No money shall be drawn from the Treasury to pay employee salaries and expenses, to defray the expense of any agency, on account of any contract for building or repairs, to purchase property, or for work and labor performed or for materials or supplies furnished to an agency unless presented to, and approved by, the Secretary of Finance. **(29 Del. C. §6515(a))** The Secretary of Finance may make requirements as will tend to safeguard or systematize the expenditure of the state's money; but he shall make no requirement that will unnecessarily interfere with the prompt payment of the amounts due, and shall never cause the payment of salaries of state officers to be delayed beyond the due date. **(29 Del. C. §6517)**

If the Secretary of Finance finds the invoice or bill correct according to the purchase order which authorized it, and that it involved no violation of any provision of any state statute, the invoice or bill shall be approved and the original forwarded to the State Treasurer. **(29 Del. C. §6515(c))** The Secretary of Finance may refuse to approve an invoice or bill only if the invoice or bill **(29 Del. C. §6518)**:

- Shall more than exhaust the appropriation from which it must be paid;
- The agency refuses to furnish necessary documentation or information;
- Is not in accordance with the contract; or
- Has not been presented in accordance with this manual and Title 29, Chapter 65.

This does not apply to the payment of the principal or interest of any obligation of the State.

2. Additional Approval

In addition to the signed agency approval, additional approvals shall be required in the following cases:

a. Direct Claims

(1) Insurance

The State Insurance Coverage Office has the centralized responsibility for the operation of the State Insurance Coverage Program. No other agency shall be authorized to place any insurance; all insurance shall be placed by and through the Coverage Office.

(18 Del. C. §6508 and §6509) All purchase orders and direct claim invoices must be sent to the Coverage Office for approval. The Coverage Office will forward the approved direct claim invoices to the Division of Accounting for processing.

It is not necessary to have the approval from the Director of Insurance Coverage for payments from Higher Education and Department of Education as long as they do not expend state General Fund monies.

(2) Communications

All State government communications purchases must be in accordance with policies and procedures established by the Division of Communications. **(17 Del. C. §1602)** Requests for purchase for all two-way equipment (voice and radio) must be made to the Division Manager, Division of State Communications.

(3) Computer, Word Processing and Telecommunications Equipment

All computer and word processing equipment over \$2,500 need the prior approval of the Office of Information Systems, Consultancy with the following exceptions:

- (a) any purchases from state contract vendor(s) for information system products.
- (b) any purchase, regardless of vendor, made by the Legislative Branch, Department of Transportation, Delaware Technical and Community College, Delaware State University, local school districts and Department of Education.

All agency and school telecommunications-related equipment over \$2,500 needs the prior approval of Office of Information Systems, Technology. This does not apply to computer supplies and maintenance agreements. The following DFMS object codes require the approval of Office of Information Systems, Consultancy:

Data Processing/Word Services:

5071	5073	5075
5072	5074	5076

Capital Lease and Rentals:

5440	5441	5443	5444
5445	5446	5447	5448
5449	5450	5451	5452

Capital Outlay:

8800	8802	8803	8804
8805	8806	8807	8808
8809	8810	8811	8812
8813	8814	8815	8816
8817	8818	8819	8820
8821	8822	8823	8824
8900			

Telecommunications			
5111	5112	5113	5114
5115	5116	5117	5118
5119	5120	5121	5122
5123	5124	5125	5126
5127	5128	5129	7411
7412			

The appropriation for a computer enhancement for any agency, is subject to and administered by Office of Information Systems, Consultancy. Agencies which have a one-time appropriation of funds for computer enhancements should submit their specific requests to Consultancy. Upon approval by Consultancy, the agency should prepare a transfer document to transfer funds from account 10-09-90-01-85 to their appropriate agency line and should attach a copy of the approval letter. Such transfer requests will not be honored without a copy of the Consultancy approval.

(4) Capital Improvement Fund

Direct claim invoices coded to bond accounts (other than Highway and School - Minor Capital) must be sent to the Office of the Budget for approval prior to processing by the Division of Accounting. Material purchases or work paid from General Fund appropriations do not require the approval of the Office of the Budget. School - Minor Capital needs the approval of DOE - School Plant Maintenance.

(5) Vehicles Purchased for State Use

All cars and station wagons purchased for state use must be purchased by contracts administered by the Fleet Management Administrator. All other vehicles purchased for state use must be purchased from bid lists approved by the Division of Purchasing. **(29 Del. C. §6902 (b))** Fleet vehicles may not be transferred from one department/school district to another department/school district without approval of the Office of Fleet Management. **(29 Del. C. §6902 (j))**

These additional approvals are not required for payments made for contract purchasing since they were obtained prior to issuing the purchase order as directed by Chapter VI, Section B.2.b. of the Manual.

(6) Postage Approval

Purchase Orders (PO) for postage equipment need the approval from the Division of Support Operations, Department of Administrative Services. You must include the make and model number in the description block of the PO. Send all documents (EAs, PO mods, etc.) over \$2,500 directly to the Division of Accounting for immediate processing. Postage stamp purchases need no approval.

b. Capital Investment Fund

Funds shall be expended from the Capital Investment Fund only by an act of the General Assembly. (29 Del. C. §6205)

c. Federal Reinsurance Facility Fund

Before any sum is withdrawn from the Federal Reinsurance Facility to pay a claim against the State, a request shall be made by the Insurance Commission to the Budget Commission. (29 Del. C. §6211) Any monies not expended by the Insurance Commissioner within 12 months shall revert to the Budget Commission to be redeposited in the Fund. (29 Del. C. §6212)

d. Advanced Planning and Real Property Acquisition Fund

The Advanced Planning and Real Property Acquisition Fund shall be expended for:

- (1) The advanced planning of proposed facilities in the state, including, but not limited to, the cost of architectural sketches, general site plans, preliminary engineering, general design services, legal, accounting and consulting services or such other services as may be deemed appropriate. (29 Del. C. §6343(b))
- (2) The earnest money of up to 10 percent for the acquisition of real property (including any improvements thereon) by state agencies. The fund may not be expended for highway right-of-way acquisition. (29 Del. C. §6343(c))

Before any sum is withdrawn from the Advanced Planning and Real Property Acquisition Fund, a request shall be made by the agency desiring to erect a state facility or desiring real property to the Budget Director who shall report to the Budget Commission whether the request is consistent with the capital program provided for by §6342.

If the agency request is to erect a state facility, the Budget Director must determine that the proposed facility is consistent with the capital program and its construction is likely to be authorized in the foreseeable future. (29 Del.C. §6344(b))

If the request is for real property acquisition, the Delaware Economic Development Office must determine that the proposed real property acquisition is consistent with the capital program or its long-range planning recommendations for the state. (29 Del. C. §6344(c))

Any funds provided by the Budget Commission not used by the agency within 12 months shall be refunded to the Budget Commission and redeposited in the Advanced Planning and Real Property Acquisition Fund. (29 Del. C. §6345)

Upon the funding of a capital project for which advance planning funds or advance real property acquisition funds have been provided from the fund, a refund shall be made to the fund from such funding by the State Treasurer from the appropriation made or other source of funds provided for the facility or real property. (29 Del. C. §6346(a))

In the event the capital project for which advance planning funds or advance real property acquisition funds have been provided from the fund is not included in a capital improvement act within 3 years, the Budget Commission may declare the project inactive and request the State's bond issuing officers to reimburse the fund from the Bond Reversion Account, **29 Del. C. §7418** notwithstanding. **(29 Del. C. §6346(b))**

If federal funds are received as reimbursement for any real property purchased with **the fund, such moneys shall be deposited as a refund to the fund.** **(29 Del. C. §6346(c))**

In the event real property is purchased and then plans for utilization of the site are abandoned, the agency, with approval of the Budget Commission, may sell the real property and shall deposit the receipts to the fund. **(29 Del. C. §6346(d))**

3. Electronic Approvals

DFMS requires three levels of electronic approval for payment vouchers (PV) over \$2,500, and third level electronic approval for check cancellations (CX) and manual warrants (MW). The documents will not be processed without the required approvals entered into DFMS. Levels 1 and 2 are within the agency. The agency is to notify Division of Accounting in writing detailing those with electronic approval authority. An individual in the agency may have both level 1 and level 2 approval authority. The Division of Accounting, after reviewing and verifying the hard copy documentation, will enter the level 3 approval. The Division of Accounting review and approval does not apply to purchase orders and payment vouchers of \$2,500 or less since those documents are retained within the agency.

Though the electronic approvals are required to process transactions, the approvals on the hard copy documentation (handwritten or facsimile) are the authorizing signatures for the transaction.

C. PAYMENT PROCESSING

1. General

a. Payment of Vouchers Upon Approval

All vouchers for payment of money issued by any department, commission or board of the State, including those requiring the approval of the Governor, shall be paid by the State Treasurer upon certification of the officers of the department, commission or board. The approval of the Secretary of Finance will be applied for vouchers over \$2,500. Methods of payment may include checks, drafts and electronic fund transfers. **(29 Del. C. §2707)**

b. Payment Vouchers - Proper Credit of Payments by Vendors

So that the vendors may properly credit payments received from the State, vendor's invoice must contain the following information:

- Vendor's federal identification number; and
- Vendor invoice number.

Using the information from the vendor's billing form, the state agency will complete the PV form. It is important that the vendor's invoice number be referenced in the "vendor invoice no." section of the header or "vendor invoice" section of the coding strip on the PV. Vendor invoice numbers are required on all PVs, and they must be meaningful and unique, for example, the invoice number or the account number. The invoice number is necessary and valuable to the vendor. Additionally, the vendor invoice number ensures proper credit to the account. The vendor's invoice number is used as a reference on the check stub.

c. Notice to Division of Revenue

For the purposes of tax compliance, the Division of Accounting shall give notice to the Division of Revenue of payments made to any corporation or business association when the aggregate payments during a fiscal year exceed \$2,000. **(30 Del. C. §305)**

2. Regular Encumbrances

When an agency receives goods or services covered by a regular purchase order, it will note the receipt on the "Receiving Report" copy of the purchase order. The agency will retain this receiving report until an invoice is received from the vendor. The agency will prepare a State payment voucher to cover the transaction, making sure to record the vendor's invoice number. If the vendor's invoice and the purchase order are not in agreement, the difference must be charged or credited to the proper account on the State purchase order as a modification or as a direct claim if appropriate. The accounting block on the State payment voucher will show the coding for the total amount of the invoice.

When the receiving report, the vendor's invoice and the State payment voucher are in agreement, the original copy (Department of Finance), signed to attest the agreement, will be forwarded to the Division of Accounting. The block on the payment voucher should be coded with a P or an F to indicate whether the payment voucher is a partial payment voucher or represents the final payment voucher against the purchase order. The payment voucher will be matched with the purchase order. The encumbrance will be liquidated in part or in total, as the situation requires, and the expenditure recorded. If a payment voucher is not approved, it will be returned to the department with an explanation.

An agency should not hold back payments until the purchase order can be paid in total. Agencies should encourage partial billing by their vendors.

3. Emergency Purchases

00-07

In those instances where emergency purchases have been made as described in Chapter VI, Section D¹, invoices received from the vendor will be processed in the same manner as for regular encumbrances.

4. Open-Order Encumbrances

The charges for materials and services that are covered by open-order encumbrances will be billed directly by the vendor to the agency. If proper, the State payment voucher will be completed by the agency and signed by an authorized official, the original copy submitted to the Division of Accounting. The final payment voucher against the open-order encumbrance should be marked final payment voucher and all previous ones should be marked partial payment vouchers.

Any discrepancies noted by the Division of Accounting will be resolved with the affected agency. The expenditure will be charged against the open-order encumbrance and the original payment voucher will be forwarded by the Division of Accounting for payment.

5. Grants

a. Grants-in-Aid

Funds appropriated in a grant-in-aid bill shall be paid in installments of 25% each quarter of the fiscal year. However, if the grant-in-aid total is \$6,000 or less it shall be paid in on an annual basis. The General Assembly may make exceptions to this installment policy by adding epilogue language to the grant-in-aid bill. **(29 Del. C. 6505 (d))**

b. Pass-Through Grants

Federal funds passed through from one state agency to another state agency must be done via a Cash Adjustment (CA) or an Inter-governmental Voucher (IV) and not with a Payment Voucher (PV).

c. Interest Earned on Grants-in-Aid

Interest earned on deposits of Grants-in-Aid are credited to the fund associated with the grant.

6. Direct Claims

a. Debt Service

As the administrator of this function, the State Treasurer will execute the State payment voucher for forwarding to and processing by the Division of Accounting for payment of the State's indebtedness as a result of its borrowing program. **(29 Del. C. §7417)** Those vouchers in payment of School Districts indebtedness will be forwarded to the appropriate

¹ Changed from Chapter V, Section E

district for signature authorization and returned to the Division of Accounting for payment. Bonds, notes and revenue notes and the interest thereon shall be payable at such places within or without the state as the issuing officers may determine. **(29 Del. C. §7408)**

b. Personal Reimbursement and Travel

This type of expenditure is occasioned by official travel and expenses incidental thereto, by State employees. A payment voucher form for personal expenses (PV - Personal Expenses) will be executed by the traveler, forwarded to the authorizing official for signature and dispatched to the Division of Accounting (only \$2,500 or more) for action and processing for check issuance on a payment voucher. No backup is required, but the description must be specific and explain why the reimbursement or payment is warranted. *(See Travel Policy regarding credit cards - Chapter XIII Section G.)*

00-01

Employees cannot be provided or reimbursed for food consumed in-state, during normal working hours. Exceptions are as follows: **(29 Del. C. §5112(b)).**

- Employees of state agencies who regularly receive wages in kind in addition to their salaries.
- Employees of Delaware Economic Development Office.
- Employee recognition activities approved by the State Personnel Director prior to implementation, and
- when food is provided as part of a conference or registration fee, unless such a conference is primarily intended for state employees, in which case the lunch is not reimbursable.
- when refreshments are served at a meeting of primarily non-state employees and in the best interest of the State.

If a travel advance has been previously made to the traveler, an expenditure correction form will be executed requesting adjustment in the amount of the advance expended from object codes 9301, 9302, to the actual object codes. This EX must include the Payment Voucher document ID that issued the travel advance. If the expenses exceeded the advance, payment to the employee would be in the net amount. A PV - Personal Expenses should be completed and transmitted to the Division of Accounting. If the advance is greater than the expenses, a collection from the employee will result and be processed in the prescribed manner on a cash receipt form (CR), an expenditure reduction to object codes 9301, 9302, or 9303. This CR must include the Payment Voucher document ID that issued the travel advance. The CR will be directed to the State Treasurer for processing.

c. Travel Advance

Employees who do not have the state travel card may be advanced funds (cash advance) for official travel. A payment voucher form will be used for this purpose and will be coded object code 9301 or 9302. Only travel advances that are \$2,500 or more are forwarded to the Division of Accounting for processing. A copy of the Payment Voucher for those less than \$2,500 is to be forwarded to the Division of Accounting. No travel advance will be approved

more than 60 days in advance of the date travel is to begin. A PV - Personal Expenses will be submitted for payment within 30 days after completion of travel for recoupment of travel advance (**29 Del. C. §6520 (c)**); otherwise the agency will be denied any additional travel advances.

d. Payment of Officials and State Employees

(1) General Information

Payment of earnings by state officials and employees, both salaried and hourly, is accomplished through Central Payroll and processed by the Office of the Budget, Office of Information Services, as a service to the Department of Finance and the State Treasurer. A master employee information and payroll file is established and updated whenever a change occurs in an employee's status (using an Action Control Register). It is to be noted that the payroll processing is on the exception basis and once established will remain unchanged until administrative action is taken by the agency.

Separate instructions have been provided to each agency by the Department of Finance in respect to changing the status of employees on the master payroll file. Prompt submission of the ACR to the Central Payroll Section is imperative for orderly and timely payroll processing.

(2) Pay Dates

The salaries of state officials and employees shall be paid semi-monthly. The first payment of one-half the monthly salary or one twenty-fourth of the annual salary on the fifteenth day of the calendar month, and the second payment shall be paid on the last day of the calendar month by the payment of the remaining balance of the remaining one-half the monthly salary or one twenty-fourth of the annual salary. (**29 Del. C. 2712 (a)**)

An exception to this policy is made for employees of the Department of Transportation employed on the basis of an hourly rate of pay. The wages of these persons shall be paid semi-monthly. The first payment of one-half the monthly salary or one twenty-fourth of the annual salary on the seventh day of the calendar month, and the second payment shall be paid on the twenty-second day of the calendar month by the payment of the remaining balance of the remaining one-half the monthly salary or one twenty-fourth of the annual salary. (**29 Del. C. 2712 (a)**)

If any of the above dates of payment falls on a Saturday, Sunday or holiday, payment shall be made on the last working day prior to the specified date of payment.

(**29 Del. C. §2712 (a)**) Methods of payment may include checks, drafts, direct deposits and electronic fund transfers. (**29 Del. C. 2712 (b)**)

(3) Payroll Statement

All agencies shall furnish the Secretary of Finance each month with an itemized statement of their payrolls for the preceding month. This statement shall be certified by the head of the agency submitting the report. **(29 Del. C. §6525)**

e. Social Security

Payment of the employer's share to the U.S. Government is initiated by the State Treasurer for the State forwarding by wire transfer and executing a modification of amount to the Division of Accounting for processing for payment of a journal voucher document.

f. Payments to Individuals for Services - Form 1099

As a result of a prior year Form 1099 audit conducted by the IRS, agencies and schools are no longer permitted to file paper 1099s. ALL Form 1099 reportable payments to vendors must be consolidated in one filing on magnetic media from the Division of Accounting. Any agency or school district that files a paper 1099 is subject to a **\$50 fine/penalty** for each form submitted to the IRS.

In accordance with IRS requirements effective for calendar year 1998, a telephone number must appear on 1099 forms. The disbursing agency or school's telephone number will be listed along with the payment amount, payment voucher number and date for each transaction that totals to the amount of the 1099-MISC form.

In order to consolidate the 1099 filing, a table (TN99) has been established within DFMS. All input into this table will be made by **agency personnel** following the instructions below. Note the extra name field "Name2" which is for a sole proprietor's "doing business as"(DBA). The "Type" field has been replaced with "Miscellaneous" (MISC), "Rent", and "Interest" fields. Due to time limits for issuing 1099s, January 5 will be the due date for entering information into the TN99 table. A report will be generated of the data that was entered and will be sent or faxed to you for verification. Please notify your State Accountant at the Division of Accounting of any errors or discrepancies.

Any individual who currently enters information in the SVEN table will automatically be able to enter information in the TN99 table. If any individual needs access to the TN99 table, please contact your agency Information Security Officer (ISO).

Please note the following concerning entry of information into the TN99 table:

1. If you did not make any reportable payments from your internal checking accounts, please enter the State of Delaware's E.I. number 516000279TN to the E.I./S.S.N. block, your department and organization, and zero (0) dollars in the miscellaneous block.
2. Include **NOT ONLY** payments from your petty cash accounts but **ALL** internal agency/school checking accounts (**ALL** applicable payments other than through DFMS).

99-06

3. Report only **one** amount per individual. If multiple payments have been made to the same vendor, please consolidate the payments into one amount.
4. The general rule is that a 1099 must be filed if the total payments, to individuals and/or partnerships for services, are \$600 or more. However, you must report all payments to individuals (including state employees and/or partnerships) for services, **regardless** of the amount, because they may have performed services for other state agencies either through DFMS or other internal checking accounts. "Note: Per IRS regulations, effective for calendar year 1998, all attorney (includes a law firm or other provider of legal services) fees (object 5020 and 5021) using an E.I. Number" (Employer Identification Number) or a social security number must be reported.

g. Reimbursement for Services and Supplies

(1) General

All state agencies which supply goods or services to any other state agency, department or to any other governmental agency, person corporation, partnership or business corporation on a reimbursement basis shall be reimbursed in amounts which shall not be less than the full cost of the rendered goods or services. Full cost includes all purchase or out-of-pocket costs as well as other employment costs plus overhead costs, computed in accordance with this Manual and accepted governmental accounting principals. An exception is made after a written request by an agency, the Governor, or his designate, decides that reimbursement for the full cost is not in the best interests of the State, then reimbursement for the full cost of the goods or services provided shall not be required until June 30 of that fiscal year. This exception does not apply to specialized transportation authorities created pursuant to Chapter 17 of Title 2. **(29 Del. C. 6531)**

(2) Inter-agency and Intra-agency Reimbursement

An Intergovernmental Voucher (IV) is used when the buyer and seller are state agencies. The IV is usually initiated by the selling agency. The IV permits transactions between agencies without the issuance of a check (via a PV) and the subsequent execution of a CR and bank deposit. There may be occasion where it is desirable to follow the PV-check-CR-bank deposit sequence. However, this can only occur with the prior approval of the Director, Division of Accounting.

The authorized signatures for the IV must be on file with the Division of Accounting. The following approval signature requirements are in effect for the processing of IV documents:

- (a) Where Buying and Selling Agencies are the same, the approval signatures for Buyer and Seller may be the same, and is to be signed in the Buying Agency block.
- (b) Where Buying and Selling Agencies are different, the approval signatures must be different, unless:

- The Buying and Selling Agencies are in the same Department, and
 - The Department/Division head has notified the Director of the Division of Accounting that one employee has authority to sign intra/inter-divisional IV's and under what circumstances.
- (c) For automated IV's other than postage, only the Buying Agency authorization is required for the document to process. The selling authorization is an automated print of the contact person's name within the Selling Agency.
- (d) For postage IV's, and any other IV's processed without Buying Agency data entry, only the Selling Agency contact persons name need be shown.

Billing should be made on a monthly basis utilizing one form for each agency from which goods or services are being provided. An exception will be made in the month of June when billing may be on a weekly basis. This will facilitate a timely year-end close-out.

7. Refunds

a. Refund of Improperly Collected Fees

In the event any agency improperly collects fees or receipts that become revenue to the General Fund, the State Treasurer shall have the authority (except as otherwise provided specifically by law) to make a refund from the General Fund, after certifying with the collecting agency that the fee or receipt was improperly collected and deposited. (29 Del. C. §2713) The State Treasurer will execute a PV as a direct claim charging the expenditure to the appropriation Refunds and Grants.

b. Tax Refunds

If the refund is for the Current Year corporate and personal tax, the refund payment is processed through the Division of Revenue's automated system. A JV is executed to enter this data into DFMS. The JV is prepared by the Division of Revenue and approved by the State Treasurer reflecting a summary of refunds by appropriation and object code for the State Treasurer's appropriation for Refunds and Grants and sent to the Division of Accounting for processing.

If the refund is not for the Current Year corporate and personal tax or for some other tax, the refund payment is not part of the Division of Revenue's automated system. The refund payment is generated through DFMS by the execution of a PV by the Division of Revenue and approved by the State Treasurer.

8. Petty Cash

a. Petty Cash Fund

Petty cash payments are designed to reduce workload in acquiring and paying for small value purchases. Generally, the maximum authorization is not greater than \$2000 however, amounts greater may be requested where exceptional circumstances exist.

The approval process is twofold. First, the Division of Accounting must approve the establishment of the fund. Secondly, the Office of State Treasurer must approve the opening of the bank account. Adhering to the approval process below will expedite requests for establishing new petty cash accounts.

A letter of request must be directed to the Department of Finance, Division of Accounting, providing justification for the need, and the dollar amount of the fund. Further, agencies who intend to keep some of the fund in cash for the purpose of making cash purchases must include the specific amount. Generally, agencies will keep \$50 or less for these purposes.

If approval is granted by the Division of Accounting, a "Request to Open Bank Account" (See Appendix K., p.28) and related documents will be completed and forwarded to the Office of State Treasurer for approval, with a copy of the letter of approval from the Division of Accounting.

If approval to open a petty cash account is granted by the Office of State Treasurer, a copy of the approved "Request to Open Bank Account" will be forwarded to the Division of Accounting by the requesting agency so that the account may be registered in the vendor table.

At this time, the requesting agency head will designate in writing an account custodian to the Division of Accounting.

A payment voucher (direct claim) is prepared in the amount of the approved petty cash fund and processed by the Division of Accounting. A check is then drafted on the State's vendor disbursement account made payable to the petty cash fund. The custodian then deposits the vendor check into the approved bank account.

b. Petty Cash Payments

The policy with respect to payments from petty cash funds is as follows:

- Payments of \$25.00 or less should be paid out of Petty Cash;
- Petty cash checks are to be drawn in consecutive numerical order;
- Payments between \$25.00 and \$500.00 may be paid out of the petty cash fund or processed as a direct claim, at the option of the department or school; and
- Payments in excess of \$500.00, but not exceeding \$2,500 will be processed on PV forms.

Petty cash checks must be signed by two employees of the agency. As mentioned above, the custodian may not sign the checks. The custodian is responsible for the preparation and reconciliation of petty cash payments. However, in cases where there are one employee

agencies, only the signature of that employee shall be required, and that employee shall also be the custodian.

In order to fulfill the responsibility of the Secretary of Finance to safeguard the expenditure of state funds (**29 Del. C. §6517**), the names and signatures of those persons authorized to sign petty cash checks must be on record with the Secretary of Finance. An agency or department can change an authorizing signature with the approval of the Secretary of Finance.

c. Petty Cash Replenishment

The petty cash fund will be reimbursed, as often as necessary, by processing a payment voucher form. Replenishment of the fund is accomplished by processing a direct claim payment voucher payable to the agency and supported by required documentation:

- Expenditure totals by appropriation and object;
- A copy of the petty cash bank statement; and
- The Petty Cash Reconciliation form (see following page).

A single payment voucher form is limited to 99 lines of coding; for reimbursements exceeding 99 lines, two (or more) payment voucher forms must be executed.

The payment voucher form if in excess of \$2,500 will be forwarded directly to the Director of Accounting after data entry. The receipts and supporting documents will be retained by the agency for audit. If the petty cash reimbursement payment voucher is approved by the Director of Accounting, it will be processed to reimburse the agency's petty cash fund. If the payment voucher is not approved, it will be returned to the agency with the reason noted.

Purchase order number references may be included on petty cash reimbursement payment voucher for charges to be made against regular (specific) and open-order encumbrances on file.

PETTY CASH RECONCILIATION

STATE
PAYMENT
VOUCHER # _____ DATE _____ AGENCY _____

BANK STATEMENT BALANCE \$ _____
Date: _____

PLUS DEPOSITS MADE AFTER CLOSE OF
PERIOD (List Below) +\$ _____

LESS OUTSTANDING CHECKS (Attach Adding
Machine Tape) -\$ _____

CHECKBOOK BALANCE \$ _____
Date: _____

PAYMENT VOUCHER FOR REIMBURSEMENT +\$ _____

CASH ON HAND +\$ _____

TOTAL OF PETTY CASH FUND \$ _____

Approved Signature

Starting with the balance on your last bank statement, add any deposits not listed on the bank statement. Determine which checks are outstanding and subtract the total. This figure should agree with your checkbook balance. By adding to this the amount of your reimbursement and any cash on hand, the petty cash fund should be reconciled.

Using the above method, it is possible to reimburse more than once using the same bank statement. Purchase order number references may be included on petty cash reimbursement payment voucher for changes to be made against regular (specific) and open-order encumbrances on file.

9. Multiple Vendor Payments

It is possible under DFMS to generate payments to multiple vendors by submitting one form. This procedure can be used for either one-time vendors or for repetitive payments to those vendors carried in the DFMS vendor file. If used for one-time vendors, such as revenue refunds, juror fees, witness fees, foster grandparents, election polls, ticket takers, pension refunds, school bus training, grants for violent crimes, or State Personnel PIP payments, the vendor code is 999999999 99 with a requirement of a valid Taxpayer Identification Number (TIN) on the vendor invoice number field. Use of the one-time vendor code causes the system to pick up the vendor name and address from the Payment Voucher, as listed on the continuation sheet.

Multiple vendor payment vouchers that exceed \$2,500 do not have to be submitted to the Division of Accounting provided each individual vendor's total does not exceed \$2,500.

The procedure uses the standard Payment Voucher form as a summary header along with multiple page(s) to list individual vendor payments. The principal saving achieved is in less paperwork for documenting transactions, as well as substituting a summary approval for the multiple approvals needed for the individual payments. This summary header Payment Voucher is treated as a single batch for purposes of control. Standard batching rules should be followed for control of dollar totals and for the number of items in a batch.

An optional feature that can be utilized is the use of alphabetic characters in the PV number field to link the individual transactions to the summary header. Additional numbering schemes for subsequent identification of the type of payment, originating agency, etc. can be used at the agency's discretion.

10. Payment Due Dates

a. Prompt Payments and Vendor Interest Charges (29 Del. C. §6516)

(1) Prompt Payments

The state shall make every effort to issue payments to vendors within 30 days of the:

- Presentation of a valid invoice on which a state agency is liable to make payment;
- or
- Receipt of goods or services; if received after the invoice or bill.

The agency must determine what constitutes "Received". It is recommended that agencies date and time stamp all incoming invoices or bills.

Payment vouchers must be received by the Division of Accounting with at least 5 working days remaining in the 30 day period. This assumes there are no errors or omissions on the documents. A document is received by the Division of Accounting when it is dated and time stamped by the Division of Accounting.

No fax or copy of a document will be accepted for processing unless an emergency situation exists and with the approval of the senior state accountant.

Documents will be processed in the order the documents were received and stamped. The new policy states “first clocked in, first processed” with no guarantee of same day processing.

Payment date of an invoice or bill will be the date appearing on the vendor check.

(2) Contested Invoices or Bills

Payment need not be made nor interest charges accrue on that portion of an invoice or bill which is contested on reasonable grounds by the agency, provided the agency notifies the vendor, in writing, within the 30 day period detailed above, providing the reasons for contesting the invoice or bill.

(3) Vendor Interest Charges

A vendor may require that interest commence from the end of the 30 day period and continue until payment. The interest rate shall not exceed annualized rate of 12 percent. Instead of interest, vendors may charge a “penalty,” which is not permitted. All interest charges shall be paid by the agency receiving the goods or services from the vendor.

General Fund and Special Funds interest charges for agencies will be a direct claim, from funds appropriated for contractual services. The Budget Office will record payments for this purpose separately from "other contractual services". Agencies of public or higher education shall make payments from local or state general funds not restricted to another purpose.

If the agency believes the interest charge was incurred through no fault of its own, an appeal may be made to the Budget Director and Controller General. If, in their opinion, the receiving agency demonstrates that some other agency or agencies bear greater responsibility for causing the delay which occasioned the payment of interest, the responsible agency or agencies shall reimburse the receiving agency for the interest charge.

The Secretary of Finance will report to the Controller General on January 15 and July 15 of each year:

- The name of any agency which has, within the first 6 months, paid interest to a vendor,
- The number of interest payments made by each agency; and
- The total amount of interest paid by each agency.

b. Vendor Discounts

Every effort must be made to take all discounts allowed by vendors. This policy requires vendors' invoices to be processed as expeditiously as possible. All agencies should seek to obtain discount terms when negotiating purchases with a vendor.

c. Advance Payments to Vendor

Payments to vendors are to be made only after goods or services are received. The only exceptions being:

- (1) Where advance payments are standard business practices; e.g., maintenance contracts, subscriptions, registration fees, airline reservations.
- (2) Where it is in the state's best interest to make an advance payment. Any request for such payment must be in writing to the Budget Director and receive the concurrent approval of the Budget Director and the Secretary of Finance.

d. Levies and Garnishment Against a Vendor

As the need arises, the Internal Revenue Service as well as the State Division of Revenue will send to the Division of Accounting a notice of levy or a State of Delaware Tax Garnishment to collect money owed by a taxpayer. This directs the agency to use the vendor's taxpayer identification number (TIN) making checks payable to the vendor "in care of the IRS or DOR" with the appropriate IRS or DOR address.

The levy or garnishment cannot be removed until the Division of Accounting receives written release from the IRS or DOR.

When entering a payment voucher to a vendor that has a levy or garnishment applied to their TIN, do not add another suffix to omit the IRS or DOR name and address. The levy and garnishment requires the State to turn over all money obligated to the vendor or taxpayer. If a suffix is added and the money is sent directly to the individual, it will be the responsibility of the agency to retrieve the money to satisfy the levy or garnishment.

Do not return the vendor check to the agency in order to change the IRS or DOR name and address to the vendor's address. The bank will refuse to cash or deposit the check and will notify the State Treasurer's Office of the change.

Contact the Division of Accounting regarding any questions concerning levies and garnishments.

e. Tax Exempt Certificate

The State of Delaware is exempt from paying federal excise tax. According to the Internal Revenue Service, the buyer (State of Delaware) is to provide to the seller (the vendor) a certificate with this information. These certificates are available from the Division of Accounting.

11. Checks and Drafts

a. Check Generation

(1) Standard

The standard method of generating a check is through DFMS. When all electronic approvals have been entered, DFMS will process the necessary check when scheduled (currently the next overnight batch job). The checks are drawn in consecutive numerical order.

The check and the original PV (except PV's \$2,500 and under) are sent to the State Treasurer for verification, signature and filing. **(29 Del. C. §6516 (b))** The Secretary of Finance shall periodically verify that the State Treasurer has drawn no checks other than those accounted for in this section. **(29 Del. C. §6516 (c))**

(2) Manual Warrants

The preparation and data entry of a manual warrant transaction will occur in the agency that has the PV requiring a wire transfer to a banking institution. Please enter MW's as documents - DO NOT BATCH.

Please send to Division of Accounting the white and yellow copies for PV's to be paid by wire transfer. For the MW, retain the agency "goldenrod" copy and attach all other copies of the MW to the PV. Both the PV and the MW must be entered into DFMS before sending them to Accounting.

b. Signatures

The signing of a check or draft by the State Treasurer may either be by hand, with pen and ink, or by check signing machine imprinting the facsimile signature of the State Treasurer. **(29 Del. C. §2706 (a))**

c. Time Limitation

No check or draft issued by the State Treasurer shall be honored after the expiration of 6 months from the date of issuance. **(29 Del. C. §2706 (b))**

d. Check Cancellation

(1) Vendor Check Cancellation

The CX form is the form used by the Division of Accounting to cancel or void state vendor checks. This form is equipped with two options:

- Rewrite a new check with no entry shown in the agency appropriation account; and
- Reduce agency appropriation account expenditures.

A void check usually occurs during the nightly processing due to a machine error. When this occurs, Division of Accounting will cancel the check. A stop payment is handled in the same manner as a void check.

Any check that has been written in error or that the agency has decided not to forward to the vendor should be sent to the State Treasurer's Office, Receipts and Disbursement Section with the word "CANCEL" written across the front of the check along with a copy of original payment voucher. The Treasurer's Office will verify the check with the outstanding check list, then forward it to the Division of Accounting. Division of Accounting will prepare a CX reducing the agency's expenditures. It is the agency's responsibility to issue a new PV if necessary.

(2) Payroll and Employee Payroll Personal Reimbursements

The information provided on the Cancelled Payroll Check and Personal Reimbursement form will be used to adjust the employee's payroll files and to credit the agency's payroll expense accounts:

- Cancelled Payroll Check - The completed Cancelled Payroll Check and Personal Reimbursement form and the paycheck to be cancelled are submitted to the State Treasurer along with any checks from vendors for miscellaneous deductions withheld (with the exception of Blue Cross, group life insurance and pension). The State Treasurer will prepare a CR for the miscellaneous deduction check.
- Employee Payroll Personal Reimbursement - The completed Cancelled Payroll Check and Personal Reimbursement form, a CR for the net amount and the employee's personal check (Do NOT deposit the check) are submitted to the State Treasurer. A personal reimbursement for the whole amount of a paycheck, including direct deposit paychecks, must also include any checks from vendors for miscellaneous deductions withheld.

A copy of the completed Cancelled Payroll Check and Personal Reimbursement form should be kept by the agency.

e. Disposal of Spoiled Checks

If a check of the State Treasurer is spoiled and becomes useless, this shall be noted and the check shall be cancelled and delivered to the Secretary of Finance, who shall file the check with the voucher and initiate a new voucher. (29 Del. C. §6522)

f. Electronic Disbursements

Wire Transfer and ACH Transfer are two ways that funds can be disbursed electronically. The State can use either one, but ACH Transfers are preferred. The major difference between the two are cost per transaction and date of settlement. A wire transfer is very expensive but the funds settle (are received by the recipient) the same day. An ACH Transfer is very inexpensive but the funds settle the day after the transfer is done. In either case, the transaction must be

established in advance by the State Treasurer's Office. Contact the Cash Management Unit in the State Treasurer's Office in order to set up the transaction. It will take approximately ten business days before you can make the first disbursement. After the transaction has been set up, you can use it any time. In either case, it is the requesting agency's responsibility to make certain that the transaction occurs on time. Agencies should contact the Cash Management Unit to determine if the transaction has occurred.

12. Documentation

a. Record of Expenditures

Each agency shall keep a detailed account of all expenditures under such appropriate headings, classifications and arrangements as prescribed by the Budget Director (i.e., budget unit, line and object code). All invoices, bills, statements, letters, vouchers and other documents pertaining to disbursements shall be preserved and systematically filed by each agency. (29 Del. C. 6504)

The Secretary of Finance shall keep an account, under appropriate headings, of all expenditures of state funds and obligations and debts due from the State. For this purpose, the Secretary shall have access to the books and papers of any agency expending any state funds. (29 Del. C. §6523)

b. Reporting Payments Made From Other Than State Checks

Payments to individuals for services rendered, paid by cash or through agency checking accounts, such as petty cash, athletic accounts, etc. (other than through PV's submitted to the Division of Accounting), must be reported to the Division of Accounting by January 3rd of each year. This report is to contain a summary of all payments to individuals for the preceding calendar year. If no such payments were made, a report still must be made indicating this. (See C.7.f.)

D. CORRECTIONS

1. Payment Vouchers

a. Correction to an Amount

If an incorrect amount was released to a vendor it is corrected as follows:

- If the payment was less than the correct amount, another PV should be issued. However, the total encumbrance may not be exceeded; or
- If the payment was greater than the correct amount, the vendor should refund the difference by check and the agency should issue a Cash Receipt form (CR). If the receipt is during the current fiscal year, the CR shall indicate the receipt is a reduction in expenditures. If the receipt falls in the next fiscal year, the CR shall show it as a revenue.

The CR must include the same vendor code and the object code as the PV which initiated the payment.

b. Other Corrections

If other information recorded by DFMS (i.e., appropriation or object code) needs to be corrected, the Expenditures Correction form (EX) is used.

The use of a CR or EX to correct expenditure information recorded under DFMS requires 3 levels of approval. Levels 1 and 2 are supplied by the agency, while Level 3 is supplied by the Division of Accounting.

Though the electronic approvals are required to process transactions, the approvals on the hard copy documentation (handwritten or facsimile) are the authorizing signatures for the transaction.

2. Correction to an IV Transaction

When errors are discovered after an IV has processed, they are to be corrected in the following manner:

- If both the Buyer and Seller entries are incorrect because the amount was in error, a new IV should be executed with a new document number, for the net difference.
- If there is a coding mistake (other than amount) in the Buyer portion of the IV, the error should be corrected with an EX transaction.
- If there is a coding mistake (other than amount) in the Seller portion of the IV, the error should be corrected with a CR transaction.